

Division of Securities
Utah Department of Commerce
160 East 300 South, 2nd Floor
Box 146760
Salt Lake City, UT 84114-6760
Telephone: (801) 530-6600
FAX: (801)530-6980

**BEFORE THE DIVISION OF SECURITIES
OF THE DEPARTMENT OF COMMERCE
OF THE STATE OF UTAH**

IN THE MATTER OF:

TROY WESLEY DENNETT

Respondent.

ORDER TO SHOW CAUSE

Docket No. SD-07-0058

It appears to the Director of the Utah Division of Securities (Director) that Troy Wesley Dennett (Dennett) may have engaged in acts and practices that violate the Utah Uniform Securities Act, Utah Code Ann. § 61-1-1, et seq. (the Act). Those acts are more fully described herein. Based upon information discovered in the course of the Utah Division of Securities' (Division) investigation of this matter, the Director issues this Order to Show Cause in accordance with the provisions of § 61-1-20(1) of the Act.

STATEMENT OF JURISDICTION

1. Jurisdiction over the Respondent and the subject matter is appropriate because the Division alleges that Respondent violated §§ 61-1-1 (securities fraud) and 61-1-7 (sale of an unregistered security) of the Act, while engaged in the offer and sale of securities in

Utah.

STATEMENT OF FACTS

THE RESPONDENT

2. Troy Wesley Dennett (Dennett) resides in Washington County, Utah. Dennett was, and currently is, the president of Pillar Financial & Insurance Corporation in Ivins, Utah.

GENERAL ALLEGATIONS

3. In 2003, Dennett solicited investments totaling \$838,355 in Resort Holding International Inc.'s Universal Lease program, from at least three Utah investors. Two investors received a small portion of their investments back from Resort Holding International Inc., and the third has received nothing.
4. Under the Universal Lease program, investors were told they were purchasing a hotel unit at a resort in Mexico, and were guaranteed yearly returns of 9% from the rental of those units by a third party management company named Majesty Travel.
5. Resort Holding International Inc. (Resort Holding) was registered as a Nevada corporation in July 1999, but its corporate status was voluntarily dissolved in December 2004. Michael Eugene Kelly was the president, secretary, and treasurer of Resort Holding. Resort Holding has never been registered as a business entity in Utah.
6. In December 2006, the president of Resort Holding, Michael Eugene Kelly, was arrested in Florida, and has since been held in custody in Chicago, Illinois, awaiting a federal indictment by the United States Department of Justice. The arrest and anticipated

indictment stem from the offer and sale of the Universal Lease, by Resort Holding and its many agents, to hundreds of investors across the nation.

7. The Resort Holding Universal Lease is an investment contract and therefore a security under § 61-1-13 of the Act.

Investors D. F. and E. F., Husband and Wife

8. Between March and July 2003, D. F. and E. F. invested at total of \$219,097.71 in the Resort Holding's Universal Lease program, after being solicited by Dennett.
9. D. F. and E. F. first met Dennett sometime in 2001 after seeing an advertisement for his company, Pillar Financial & Insurance Corporation, in the St. George newspaper, The Spectrum.
10. Dennett initially helped D. F. and E. F. purchase annuities from AmerUs Life.
11. In January or February 2003, Dennett contacted D. F. and E. F. and recommended they move their funds from the AmerUs Life annuities into an investment in the Resort Holding Universal Lease program.
12. In February and early March 2003, Dennett met two or three times with D. F. and E. F. at their home in Washington County, Utah, to discuss the investment opportunity in Resort Holding's Universal Leases.
13. Dennett told D. F. and E. F. that following regarding the investment:
 - a. Their money would be used to lease rooms at a resort in Cancun.
 - b. Their investment would be secured by real estate.

- c. They would receive a return of 9% annually.
 - d. They could receive the return in monthly payments.
 - e. They could withdraw up to 10% of the principal in the first two years without penalty, and after three years, they could get all of their principal without penalty.
 - f. Resort Holding had a history of high volume of rentals.
 - g. Dennett, Dennett's father, and Dennett's grandmother had invested.
 - h. The minimum investment was \$5,000.
 - i. The investment was exempt from securities registration in several states.
 - j. Dennett would receive a commission.
 - k. D. F. and E. F. could use the condo in Cancun.
14. D. F. and E. F. made the following investments in Resort Holding's Universal Lease program on the following dates as indicated below:

| <u>Date of Investment</u> | <u>Amount Invested</u> | <u>Method of Payment</u> |
|---------------------------|------------------------|--------------------------|
| 03/18/2003 | \$46,409.50 | rolled-over annuity |
| 03/18/2003 | 42,791.46 | rolled-over annuity |
| 05/30/2003 | 46,191.74 | rolled-over annuity |
| 06/09/2003 | 63,705.01 | rolled-over annuity |
| 07/02/2003 | <u>20,000.00</u> | personal check |

Total = \$219,097.71

15. D. F. and E. F. invested using money from two qualified annuities, one non-qualified annuity, and from the sale of real estate.
16. D. F. and E. F.'s June 9th and May 30th investments were rolled over from their qualified

annuities with AmerUs Life into IRA accounts with Resort Holding's IRA custodian, the Trust Company of America.

17. D. F. and E. F.'s March 18th investments were sent from AmerUs Life to Resort Holdings in the form of a check, and their July 2nd investment was a personal check made payable to Resort Holdings.
18. For each investment either D. F. or E. F. executed three documents, a Universal Lease Application, Universal Lease Agreement, and a Management Agreement.
19. The Universal Lease Application is a two-page document with the investor's contact and beneficiary information. Dennett signed four of the Universal Lease Applications as D. F.'s and E. F.'s Universal Lease representative. On the fourth Universal Lease Application, Dennett signed as the witness, and included his representative identification number.
20. The Universal Lease Agreement states the term of each lease (25 years), the purchase amount, and includes sections regarding operations and maintenance fees, common areas, insurance, and default fees.
21. In the Management Agreement, D. F. and E. F. are designated the "Client" and Majesty Travel is the "Administrator." The Management Agreement states that Majesty Travel will rent, manage, administer, and collect rental income on behalf of the Client, and guarantees rental of the unit. It also states that the Client will receive compensation of 4% annually as rental compensation, and an additional 5% annually for the option to

purchase the D. F.'s and E. F.'s unit (for a total of 9% annually), and provides the Client with the option of receiving their 9% return monthly, quarterly, annually, or to let it accrue.

22. After investing D. F. and E. F. received confirmation of their investments in the mail from Trust Company of America, Resort Holdings, and Majesty Travel.
23. D. F. and E. F. each received monthly payments from Trust Company of America and later its replacement, Trust Company of the Pacific (mailed checks), and from the management company, Majesty Travel (electronic deposits). D. F. and E. F. together have received a total of \$13,567.22 from their investments in Resort Holding's Universal Lease program.
24. D. F. and E. F. stopped receiving the monthly payments in July 2005.
25. When D. F. and E. F. contacted Dennett to find out why their payments stopped, Dennett said people were working on it.
26. To date, Dennett still owes D. F. and E. F. \$205,530.49 in principal alone.

Investors F. T. and C. T., Husband and Wife

27. In 2003, F. T. and C. T. invested a total of \$523,258 in the Resort Holding's Universal Lease program, after being solicited by Dennett.
28. F. T. and C. T. first met Dennett in 2000 after reading an advertisement for his company, Pillar Financial & Insurance Corporation, in the St. George newspaper, The Spectrum.
29. F. T. and C. T. contacted Dennett to discuss investing in annuities.

30. In January or February 2003, Dennett introduced F. T. and C. T. to the Resort Holding Universal Lease program.
31. Dennett met with F. T. approximately four times prior to F. T.'s and C. T.'s investment in the Universal Lease, and all of the meetings took place at F. T.'s and C. T.'s home.
32. Dennett told F. T. and C. T. the following about the investment opportunity in the Resort Holding Universal Lease program:
 - a. In a matter of two years, F. T. and C. T. would recoup the \$20,000 they would lose as a result of canceling one of their annuities. Dennett said the annuity would try to talk F. T. and C. T. out of cancelling, but to "hold their ground."
 - b. F. T. and C. T. were guaranteed to make 9% annual interest.
 - c. The investment would be liquid in three years.
 - d. The investment was insured.
 - e. Investor money would be used to build and rent condos at a large resort in Mexico.
 - f. The 9% annual interest would come from the money the resort took in by renting or leasing rooms.
 - g. It is a very popular resort, a real "money-maker."
 - h. F. T. and C. T. could use the condos themselves.
 - i. Dennett had invested, and so had his mother and his uncle.
 - j. Dennett had already gone down to the resort and it was "paradise."

33. On March 21, 2003, F. T. and C. T. executed the documents necessary to make their first investment in Resort Holding's Universal Lease program.
34. F. T. and C. T. each executed a set of Universal Lease documents which included a Universal Lease Application (also signed by Dennett), the Universal Lease Agreement, and a Management Agreement with Majesty Travel.
35. The Universal Lease Agreement states that the term of each lease is 25 years, the purchase amount is \$134,629.05 each, for a total of \$269,258.09, and includes sections regarding operations and maintenance fees, common areas, insurance, and default fees.
36. In the Management Agreement, F. T. and C. T. are designated the "Client" and Majesty Travel is the "Administrator." The Management Agreement states that Majesty Travel will rent, manage, administer, and collect rental income on behalf of the Client, and guarantees rental of the unit. It also states that F. T. and C. T. will receive compensation of 4% annually as rental compensation, and an additional 5% annually for the option to purchase the F. T.'s and C. T.'s unit (for a total of 9% annually), on the accrual basis.
37. Dennett signed the Universal Lease Application, a two-page document with F. T.'s and C. T.'s contact and beneficiary information, as the Universal Lease representative.
38. In May or early June 2003, F. T. and C. T. contacted AmerUs Life Insurance Co., to request that it transfer their qualified annuities to Resort Holding, to complete their investment.
39. On June 18, 2003, AmerUs Life Insurance Co. issued two checks, one for \$118,341.80,

and another for \$150,916.29, made payable to Resort Holding's bank, National City Bank, in South Bend, Indiana. AmerUs mailed the two checks directly to Resort Holding's bank, which deposited the checks on June 23, 2003 into Resort Holding's account.

40. After F. T.'s and C. T.'s first investment in March 2003, but prior to the second in December 2003, they received no monthly statements or any type of communication from Resort Holding.
41. F. T. and C. T. contacted Dennett a few times prior to their second investment, and Dennett assured them that everything was fine.
42. On December 15, 2003, F. T. and C. T. met Dennett at an office in Ivins, Utah to execute another Universal Lease and make a second investment.
43. F. T. and C. T. each executed another set of Universal Lease documents including a Universal Lease Application, Lease Agreement, and Management Agreement with Majesty Travel.
44. The Universal Lease Agreement states that the term of each lease is 25 years, the purchase amount is \$127,000 each, for a total of \$254,000, and includes sections regarding operations and maintenance fees, common areas, insurance, and default fees.
45. In the Management Agreement, F. T. and C. T. are designated the "Client" and Majesty Travel is the "Administrator." The Management Agreement states that Majesty Travel will rent, manage, administer, and collect rental income on behalf of the Client, and

guarantees rental of the unit. It also states that F. T. and C. T. will receive compensation of 4% annually as rental compensation, and an additional 5% annually for the option to purchase the F. T.'s and C. T.'s unit (for a total of 9% annually), on the accrual basis.

46. Dennett again signed the Universal Lease Application as the Universal Lease representative.
47. On November 17, 2003, F. T. and C. T. received the proceeds from the sale of their home in Utah County (\$254,657.32), from Surety Title.
48. On December 15, 2003, F. T. and C. T. invested the majority of the funds they received from the sale of their home by requested a cashier's check from Central Bank, in the amount of \$254,000, made payable to Dennett's company, Pillar Financial.
49. In August 2004, F. T. and C. T. each received two Client Rental Income Statements from Galaxy Properties Management, the entity that replaced Majesty Travel as the management company. F. T.'s and C. T.'s statements show a total increase in value of \$29,965 between all four of their investments.
50. To date, F. T. and C. T. have received a total of only \$6,620.12 in interest from Galaxy Properties Management.
51. Dennett still owes F. T. and C. T. \$536,721 in principal alone.

Investor J. S.

52. In late September 2003, Dennett offered an investment opportunity in the Resort Holding Universal Lease to J. S., at J. S.'s home in Washington County, Utah.

53. Dennett told J. S. the following about the investment opportunity:
- a. J. S. would be leasing hotel units from Resort Holding.
 - b. J. S. would receive rental income from the hotel units.
 - c. J. S. had the option of either using the hotel units himself, renting them out himself, or hiring a management company to rent the units on J. S.'s behalf.
 - d. J. S. could receive his interest monthly, or let it accrue.
 - e. The minimum investment was \$5,000.
 - f. J. S. could get his investment back, without a penalty, after three years.
 - g. J. S. would receive 9% annual interest from income generated by rental of the hotel units.
54. Dennett went to J. S.'s home to discuss the investment opportunity approximately three to four times prior to J. S. investing.
55. On August 4, 2003, Dennett met with J. S. at J. S.'s home to execute the Universal Lease documents.
56. J. S. executed a Universal Lease Agreement in which J. S. was named the "Leaseholder" and Resort Holding International, S.A. was the "Lessor." The Universal Lease Agreement states that the term of the lease is 25 years, the purchase amount is \$96,000, and includes sections regarding operations and maintenance fees, common areas, insurance, and default fees.
57. J. S. executed a Management Agreement in which J. S. is the "Client" and Majesty

Travel is the “Administrator.” The Management Agreement states that Majesty Travel will rent, manage, administer, and collect rental income on behalf of the Client, and guarantees rental of the unit. It also states that the J. S. will receive compensation of 4% annually as rental compensation, and an additional 5% annually for the option to purchase J. S.’s unit (for a total of 9% annually), on the accrual basis.

58. Dennett signed the Universal Lease Application (a two page document in which J. S. provided his contact and beneficiary information) as the Universal Lease representative.
59. After signing the documents, J. S. and Dennett went to J. S.’s bank to get the investment money.
60. J. S. requested an Official Check for \$96,000 from Sunfirst Bank in St. George, Utah, made payable to the Trust Company of America, and gave it to Dennett while still at the bank.
61. On or about September 17, 2003, J. S. received a welcome letter in the mail from Resort Holding, which included a copy of the executed contracts.
62. On or about March 1, 2005, J. S. received a Rental Income Statement from Galaxy Properties Management S.A. (the entity that replaced Majesty Travel), which stated that J. S. had earned \$8,140 in rental income for 2004.
63. After hurricane Wilma hit Cancun in October 2005, J. S. received a letter in the mail from Resort Holding which stated that due to complications from the hurricane Resort Holding would not be making monthly interest payments.

64. A few months after receiving the letter, J. S. read about the Resort Holding Universal Lease program in a financial magazine, which said that the program was “no good.” J. S. showed the magazine article to Dennett, and Dennett said not to worry.
65. In early January 2006, J. S. received a letter from Dennett which stated that Resort Holding stopped selling the Universal Leases “some time ago,” due to law suits from several states claiming they were selling unregistered securities. Dennett also stated that Resort Holding would soon be initiating a buy-back program for all Universal Lease holders.
66. In February 2006, J. S. wrote a letter to Resort Holding requesting a full surrender of his Universal Lease. Resort Holding responded by telling J. S. to go through the Trust Company of the Pacific to get his money back.
67. J. S. has made several similar demands on Resort Holding and the Trust Company without success.
68. Although Dennett has told J. S. he will get his money back, J. S. has received no return of principal or interest from his investment in Resort Holding’s Universal Lease program. Dennett still owes J. S. \$96,000 in principal alone.

CAUSES OF ACTION

COUNT I

Securities Fraud under § 61-1-1(2) of the Act

69. The Division incorporates and re-alleges paragraphs 1 through 68.

70. The investment opportunity offered and sold by Dennett to investors is an investment contract, and therefore a security, under § 61-1-13 of the Act. An investment contract includes “any investment in a common enterprise with the expectation of profit to be derived through the essential managerial efforts of someone other than the investor.” UTAH ADMIN. CODE R164-13-1(B)(1).
71. In connection with the offer and sale of a security to investors, Dennett made false statements, including, but not limited to, the following:
- a. That F. T. and C. T. would recoup the \$20,000 they lost as a result of canceling one of their annuities, by purchasing a Universal Lease;
 - b. Dennett told D. F. and E. F. the Universal Leases were exempt from securities registration in several states;
 - c. The 9% annual interest was guaranteed;
 - d. The Resort Holding resorts were insured; and
 - e. That investors could get their investment back, with no penalty fee, after three years.
72. In connection with the offer and sale of a security to investors, Dennett failed to disclose material information, including, but not limited to, the following, which was necessary in order to make representations made not misleading:
- a. That in April and May 2003, Wisconsin and Arizona, respectively, filed administrative actions against Resort Holdings and its president, Michael E.

Kelly, in connection with the offer and sale of Universal Leases;

- b. That the Universal Leases were securities that should have been registered; and
- c. Some or all of the information typically provided in an offering circular or prospectus regarding Resort Holding, Majesty Travel, and Galaxy Properties, such as:
 - i. The business and operating history for Resort Holding, Majesty Travel, and Galaxy Properties;
 - ii. Identities of the principals for Resort Holding, Majesty Travel, and Galaxy Properties, along with their experience with operating beach resorts;
 - iii. Financial statements for Resort Holding, Majesty Travel, and Galaxy Properties;
 - iv. The market for Resort Holding', Majesty Travel's, and Galaxy Properties' product(s);
 - v. The nature of the competition for the product(s);
 - vi. The current capitalization for Resort Holding, Majesty Travel, and Galaxy Properties;
 - vii. A description of how the investment would be used by Resort Holding, Majesty Travel, and Galaxy Properties;
 - viii. The track record of Resort Holding, Majesty Travel, and Galaxy Properties to investors;

- ix. Risk factors for investors;
- x. The number of other investors;
- xi. The minimum capitalization needed to participate in the investment;
- xii. The disposition of any investments received if the minimum capitalization were not achieved;
- xiii. The liquidity of the investment;
- xiv. Discussion of pertinent suitability factors for the investment;
- xv. The proposed use of the investment proceeds;
- xvi. Any conflicts of interest the issuer, the principals, or the agents may have with regard to the investment;
- xvii. Agent commissions or compensation for selling the investment;
- xviii. Whether the investment is a registered security or exempt from registration; and
- xix. Whether the person selling the investment is licensed.

73. Based upon the foregoing, Troy Wesley Dennett violated § 61-1-1 of the Act.

COUNT II

Sale of an Unregistered Security under § 61-1-7 of the Act

- 74. The Division incorporates and re-alleges paragraphs 1 through 68.
- 75. The Universal Lease offered and sold by Dennett is a security under § 61-1-13 of the Act.
- 76. The security was offered and sold in this state.

77. The security offered and sold by Dennett was not registered under the Act, and Dennett did not file any claim of exemption relating to the security.
78. Based on the above information, Troy Wesley Dennett violated § 61-1-7 of the Act.

ORDER

The Director, pursuant to § 61-1-20 of the Act, hereby orders the Respondent to appear at a formal hearing to be conducted in accordance with Utah Code Ann. §§ 63-46b-4 and 63-46b-6 through -10, and held before the Utah Division of Securities. The hearing will occur on Monday, October 15, 2007, at 2:00 p.m., at the office of the Utah Division of Securities, located in the Heber Wells Building, 160 East 300 South, 2nd Floor, Salt Lake City, Utah. The purpose of the hearing is to establish a scheduling order and address any preliminary matters. If the Respondent fails to file an answer and appear at the hearing, the Division of Securities may hold Respondent in default, and a fine may be imposed in accordance with Utah Code Ann. § 63-46b-11. In lieu of default, the Division may decide to proceed with the hearing under § 63-46b-10.

At the hearing, the Respondent may show cause, if any they have:

- a. Why Troy Wesley Dennett should not be found to have engaged in the violations alleged by the Division in this Order to Show Cause;
- b. Why Troy Wesley Dennett should not be ordered to cease and desist from engaging in any further conduct in violation of Utah Code Ann. § 61-1-1, or any

other section of the Act; and

- c. Why Troy Wesley Dennett should not be ordered to pay a fine of nine hundred thousand dollars (\$900,000) to the Division of Securities.

DATED this 10TH day of September, 2007.

Wayne Klein

WAYNE KLEIN

Director, Utah Division of Securities



Approved:

Jeff Buckner

JEFF BUCKNER

Assistant Attorney General

J. K.

Division of Securities
Utah Department of Commerce
160 East 300 South, 2nd Floor
Box 146760
Salt Lake City, UT 84114-6760
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**BEFORE THE DIVISION OF SECURITIES
OF THE DEPARTMENT OF COMMERCE
OF THE STATE OF UTAH**

IN THE MATTER OF:

TROY WESLEY DENNETT;

Respondent.

NOTICE OF AGENCY ACTION

Docket No. SD-07-0058

THE DIVISION OF SECURITIES TO THE ABOVE-NAMED RESPONDENT:

The purpose of this Notice of Agency Action is to inform you that the Division hereby commences a formal adjudicative proceeding against you as of the date of the mailing of the Order to Show Cause. The authority and procedure by which this proceeding is commenced are provided by Utah Code Ann. §§ 63-46b-3 and 63-46b-6 through 11. The facts on which this action is based are set forth in the foregoing Order to Show Cause.

Within thirty (30) days of the mailing date of this notice, you are required to file an Answer with the Division. The Answer must include the information required by Utah Code § 63-46b-6 (1). In addition, you are required by § 63-46b-6 (3) to state: a) by paragraph, whether

you admit or deny each allegation contained in the Order to Show Cause, including a detailed explanation for any response other than an unqualified admission; b) any additional facts or documents which you assert are relevant in light of the allegations made; and c) any affirmative defenses (including exemptions or exceptions contained within the Utah Uniform Securities Act) which you assert are applicable. To the extent that factual allegations or allegations of violations contained in the Order to Show Cause are not disputed in your Answer, they will be deemed admitted.

Your Answer, and any future pleadings or filings that should be part of the official files in this matter, should be sent to the following:

Signed originals to:

Administrative Court Clerk
c/o Pam Radzinski
Division of Securities
160 E. 300 S., Second Floor
Box 146760
Salt Lake City, UT 84114-6760
(801) 530-6600

A copy to:

Jeff Buckner
Assistant Attorney General
160 E. 300 S., Fifth Floor
Box 140872
Salt Lake City, UT 84114-0872
(801) 366-0310

A hearing date has been set for Monday, October 15, 2007, at 2:00 p.m., at the office of the Utah Division of Securities, located in the Heber Wells Building, 160 East 300 South, 2nd Floor, Salt Lake City, Utah.

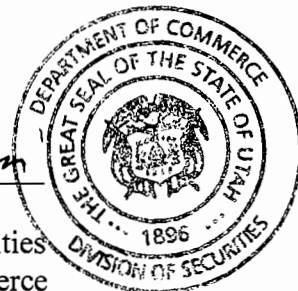
If you fail to file an Answer, as set forth herein, or fail to appear at the hearing, the Division of Securities may hold you in default, and a fine and other sanctions may be imposed

against you in accordance with Utah Code Ann. § 63-46b-11, without the necessity of providing you with any further notice. In lieu of default, the Division may decide to proceed with the hearing under § 63-46b-10. At the hearing, you may appear and be heard and present evidence on your behalf. You may be represented by counsel during these proceedings.

The presiding officer in this case is Wayne Klein, Director, Division of Securities. Questions regarding the Order to Show Cause and Notice of Agency Action should be directed to the Division's attorney, Jeff Buckner, at (801) 366-0310.

DATED this 10th day of September, 2007.


WAYNE KLEIN
Director, Division of Securities
Utah Department of Commerce



Certificate of Mailing

I certify that on the 10TH day of September, 2007, I mailed, by certified mail, a true and correct copy of the Order to Show Cause and Notice of Agency Action to:

Troy Wesley Dennett
172 E. 100 N.
Ivins, UT 84738

Certified Mail # 7005 1820 0003 719 3173

Pamela Rasznik
Executive Secretary